



Anti-Fraud and Corruption

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer: Head of Internal Audit Service, Corporate Resources
Department

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Anti-Fraud and Corruption Policy Statement

This Statement sets out Leicestershire County Council's (the Council's) policy in relation to fraud and corruption. It has the full support of both the Council's senior management in the form of the Corporate Management Team (CMT) and elected members through Corporate Governance Committee (CGC).

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Council's Strategic Plan 2014-18, the Council needs to maximise the financial resources available to it. In order to do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud framework and associated policies. Whilst individual circumstances of each case will be carefully considered, in the majority of cases there will be a **zero tolerance** approach to fraud and corruption in all of its forms. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners, service users or members of the general public and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in our Members' Code of Conduct and Officers' Code of Conduct, both documents forming part of the overall Constitution of the County Council.

The County Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake. The procedures and also the culture of the County Council are recognised as important in ensuring a high standard of public life.

The County Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. In particular members and employees are expected to lead by example and will be accountable for their actions.

The County Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the County Council is a member. This will be done through applying appropriate elements of this Strategy to all partnership working, where it is relevant to do so. With regard to partnership working, responsibility for Codes of Conduct and policies of this nature (and so for enforcement action for breach of those codes or policies) generally lies with the relevant individual organisation in the partnership. Where appropriate, the County Council will draw the attention of the partner organisation to its concerns.

This Policy Statement is underpinned by an [Anti-Fraud and Corruption Strategy](#) (the Strategy). The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. It sets out the key responsibilities with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

..... **Byron Rhodes, Cabinet Lead Member for Resources**

..... **John Sinnott, Chief Executive**

..... **Chris Tambini, Chief Financial Officer**

..... **David Morgan, County Solicitor & Monitoring Officer**

February 2015

Anti-Fraud and Corruption Strategy

1. Introduction

Leicestershire County Council (the Council) advocates **strict adherence** to its anti-fraud framework and associated policies. In the majority of cases this would be a **zero tolerance** approach to all forms of fraud, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve;
- Reduce the level of resources and services available for the residents of Leicestershire; and
- Result in major consequences which reduce public confidence in the Council.

This Strategy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council with regard to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Strategy provides overarching governance to the Council's suite of counter fraud policies and procedures which include: -

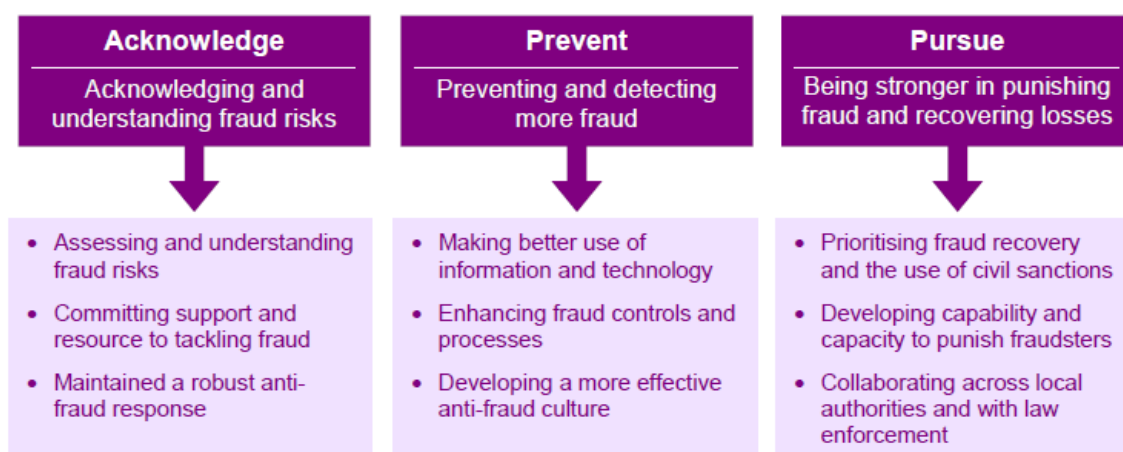
- The Council's Constitution, incorporating the Members' Code of Conduct, Officers' Code of Conduct, Contract Procedure Rules, Financial Procedure Rules.
- Whistleblowing Policy.
- Gifts & Hospitality Policy.
- Policy on the Declaration of Personal Interests.
- Anti-Bribery Policy.
- Anti-Money Laundering Policy.
- Information Security Policy.

This Strategy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management. In November 2014, both CMT and CGC resolved to adopt the principles of the Code and report annually on conformance to it.

The five key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case Elected Members and the Corporate Management Team – for countering fraud and corruption	ACKNOWLEDGE
Identify the fraud and corruption risks	
Develop an appropriate anti-fraud and corruption strategy	PREVENT
Provide resources to implement the strategy	
Take action in response to fraud and corruption	PURSUE

The five elements link to three key themes: **Acknowledge**, **Prevent** and **Pursue**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.



2. Definitions

What is Fraud?

Fraud is a type of criminal activity, defined by the Serious Fraud Office as:

'abuse of position, or false representation, or prejudicing someone's rights for personal gain'.

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

The general criminal offence of fraud is defined by the [Fraud Act 2006](#) and can include:

- deception whereby someone knowingly makes false representation
- or they fail to disclose information

- or they abuse a position.

What is Corruption?

Corruption is the deliberate misuse of a position for direct or indirect personal gain.

This includes offering, giving, requesting or accepting a bribe or reward, which influences actions or the actions of someone else. The [Bribery Act 2010](#) makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

The Act also created the Corporate Offence of “Failing to prevent bribery on behalf of a commercial organisation” (corporate liability). To protect itself against the corporate offence, the Act requires an organisation to have “adequate procedures in place to prevent bribery”. The Council has a separate Anti-Bribery Policy which discusses bribery and the provisions of the Bribery Act in detail, including advice for staff on escalating concerns. In addition, this Strategy, the Council’s Codes of Conduct and the Whistleblowing Policy, along with the educating of staff (e.g. through induction, e-learning etc.) are designed to meet the requirement.

What is Theft?

Theft is the misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly takes property belonging to another, with the intention of permanently depriving the other of it. The criminal offences associated with theft are predominantly set out in the [Theft Act 1968](#) and the [Theft Act 1978](#).

3. Scope

The Council will not tolerate fraud or corruption (or other forms of financial irregularity) by anyone. Consequently, this Strategy applies to a wide range of persons, including:

- All County Council employees (including volunteers, temporary staff and agency staff);
- Elected Members;
- Staff and Committee Members of Council funded voluntary organisations;
- County Council’s partners;
- LA-maintained schools;
- County Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the general public.

4. Strategy Aims and Objectives

Through this Strategy the aims and objectives are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Leicestershire residents and visitors;
- Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's **zero tolerance** of fraud, corruption and theft;
- Ensure effective Counter Fraud systems and procedures are in place which:
 - Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
 - Proactively deter, prevent and detect fraud, corruption and theft;
 - Investigate suspected or detected fraud, corruption and theft;
 - Enable the Council to apply appropriate sanctions and recover all losses; and
 - Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken
- Ensure the rights of people raising legitimate concerns are properly protected
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

5. What is LCC's Approach to Countering Fraud

Managing the Risk of Fraud and Corruption

Whilst all stakeholders in scope have a part to play in reducing the risk of fraud, Elected Members and Senior Management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity.

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. In making this assessment it is important to consider the risk of fraud occurring (i.e. proactive) rather than the actual incidence of fraud that has occurred in the past (reactive). Once the fraud risk has been evaluated, appropriate action should be taken by management to mitigate those risks on an

ongoing basis, for example through introducing and operating effective systems of internal control ("first line of defence").

Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Council's Corporate Governance Committee plays a key role in scrutinising the Council's approach to both fraud and risk management; and its wider resiliency to financial irregularity in general ("second line of defence").

The Council's Internal Audit Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan. This assurance work involves a review of systems and procedures, including a review of the management of risk (of both fraud and other types of risk) whereby system vulnerabilities are brought to the attention of management along with recommendations to strengthen procedures ("third line of defence").

6. Fighting Fraud Locally: Acknowledge – Prevent – Pursue

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by a strategic approach consistent with that outlined in both CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and in the [Local Government Fraud Strategy – Fighting Fraud Locally](#), and its three key themes of Acknowledge / Prevent / Pursue: -

ACKNOWLEDGE	Committing Support	The Council's commitment to tackling fraud threat is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Staff awareness of fraud risks is through e-learning and other training. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review.
	Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. Elected Members and Senior Officers have an important role to play in scrutinising risk management procedures and risk registers. Also, the Internal Audit Service will carry out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	Robust Response	We will strengthen measures to prevent fraud. The Internal Audit Service will work with management and our internal partners such as HR, Finance, Legal and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.

PREVENT	Better Use of Information Technology	We will make use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We will play an active part in the biennial National Fraud Initiative (NFI) data matching exercise.
	Fraud Controls and Processes	We will educate managers with regard to their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine Internal Audit Service reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement.
	Anti-Fraud Culture	We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work.

PURSUE	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	Enforcement	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders, or received via the whistleblowing procedure. We will work with internal / external partners/organisations, including law enforcement agencies.

7. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Accountable for the effectiveness of the Council's arrangements for countering fraud and corruption; duties in relation to members' interests.
County Solicitor (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Conduct/Practice. Overall responsibility for the maintenance and operation of both Officers' and Members' Codes of Conduct, the Whistleblowing Policy and other policies. Determination of whether a case should be referred to the Police.
Chief Financial Officer (S.151 Officer)	Legal duties with regard to the proper administration of financial affairs including ensuring that the Council's accounting control systems include measures to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records and a requirement for an adequate and effective internal audit of accounting records and of the system of internal control in accordance with the proper practices in relation to internal control. Additionally, a Head of Profession responsibility to implement appropriate measures to prevent and detect

	fraud and corruption.
Corporate Governance Committee	To monitor the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption.
Elected Members	To comply with the Members' Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Head of Internal Audit Service	Responsible for developing and maintaining advice and guidance on the Council's approach to managing the risks of fraud, bribery and corruption. The HoIAS compiles a risk-based annual Internal Audit Plan designed to evaluate the effectiveness of the control environment. Responsible for ensuring that all suspected or reported irregularities are dealt with promptly and in accordance with this Strategy and that action is identified to improve controls and reduce the risk of recurrence. Advises on (or, where appropriate, carries out) investigations.
Senior Management, DMTs, Service Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to the County Solicitor (Monitoring Officer) and the Chief Financial Officer (s151 Officer). To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
LCC Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud and corruption, and to report via the Whistleblowing procedure any genuine concerns to management or the County Solicitor (Monitoring Officer) or Chief Financial Officer (s151 Officer).
Public, Service Users, Partners, Contractors etc.	To be aware of the possibility of fraud and corruption against the Council and to report any genuine concerns / suspicions.

8. Reporting, Advice, Support

The Council's approach to suspected fraud can be demonstrated in its Fraud Response Plan / Flowchart - see [Appendix 1 - Fraud Response Plan](#)

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If anyone believes that someone is committing a fraud or suspects corrupt practices, these concerns should be raised in the first instance directly with line management **or** to the County Solicitor (Monitoring Officer) **or** Chief Financial Officer, in accordance with the Council's Whistleblowing Policy and Financial Procedure Rule 17.

Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the County Solicitor (Monitoring Officer) or Chief Financial Officer. Managers should react urgently to evidence of potential fraud or corruption. Headteachers of LA-maintained schools should also

notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence should not be included in the notification procedure.

Employees who wish to raise a serious concern should refer to the detailed Whistleblowing Policy.

The County Solicitor (Monitoring Officer) will refer all concerns in relation to possible financial impropriety to the Chief Financial Officer. Thereafter, it is likely that the Internal Audit Service, in conjunction with other services such as Human Resources, Legal Services, ICT Services, will give advice and support to managers involved in fraud investigation including on evidence gathering, documentation and retention, disciplinary proceedings and, where relevant, referral to the Police.

9. Investigations

Investigations - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above.

In more complex cases, investigations will be carried out by the Internal Audit Service. Otherwise, the Internal Audit Service will give guidance to departments (managers) on how to carry out investigations. In such circumstances the Internal Audit Service will continue to have a 'watching brief' throughout the course of the investigation and will continue to provide advice, where required. **Managers should not carry out their own investigations without first seeking advice from the Internal Audit Service.** Although departments and the Internal Audit Service may undertake interviews there is a local agreement with the Police that these are not conducted under caution. There is a presumption therefore that contact with the Police will occur at a relatively early stage, once there is sufficient evidence to justify it. The outcome of an investigation would typically be a full report produced for the relevant Director which can then be used, if appropriate, in further disciplinary action (or as part of a criminal investigation).

Criminal Offences - The County Solicitor will provide guidance as to whether a criminal offence has occurred. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the County Solicitor, that it would be inappropriate to do so.

Disciplinary Action - The Director (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee. Cases of fraud or corruption are likely to represent gross misconduct and therefore the employee could be liable to dismissal.

Elected Members - The Chief Executive and the County Solicitor, acting as Monitoring Officer, will advise on action in relation to members.

Compensation - Where a case has been proved, the relevant Director and Chief Financial Officer, with advice from the County Solicitor, will agree whether and how much to pursue as compensation. The Director will also inform the Corporate Resources Insurance Section where it is believed an insurance claim can be made).

Recording – The Head of Internal Audit Service (HoIAS) will maintain a fraud database where summary details of financial irregularities will be recorded.

Reporting - The Head of Internal Audit Service's (HoIAS) routine progress reports to the Corporate Governance Committee will include summary details on investigations into suspected fraud or corruption once the outcomes are finalised especially with any cases that are subject to Police investigation. In addition, the HoIAS also reports annually on fraud and corruption activity through:

- The National Fraud Initiative
- The Audit Commission Annual Fraud and Corruption Survey leading to the annual report on Protecting the Public Purse
- The Local Government Transparency Code

10. Action Plan

This Strategy sets out the developments / actions the Council proposes over the medium term future to further improve its resilience to fraud and corruption. These developments include the following actions:

Action	Implementation Date
To proactively use the results of previous fraud risk assessments, the issues highlighted in Protecting the Public Purse (PPP) 2014 and other intelligence to direct counter fraud resources in the 2015-16 Internal Audit Plan.	February 2015
To refresh the Council's suite of anti-fraud policies, strategies and procedures and to ensure that they continue to be relevant to national guidance, e.g. CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014).	February 2015
To ensure that fraud awareness is given adequate prominence in the Council's staff induction procedures.	April 2015
To undertake an annual Fraud Risk Assessment covering the Council's main areas of exposure to fraud and to use the results to influence the Council's approach moving forward.	October 2015
To update the Council's e-learning module on Fraud Awareness and to promote its uptake by all employees.	October 2015

To be an active participant in the 2015 National Fraud Initiative (NFI) and to robustly investigate suspected cases of fraud identified through NFI.	October 2015
To refresh the Fraud Awareness pages on the Corporate Information Service (CIS) and to engage with managers through targeted communications to emphasise their obligations to operate effective systems of internal control which are designed to reduce the risk to the Council of fraud, error or inadvertent loss.	October 2015
To assess and address the fraud risks associated with the Council becoming greater involved as a commissioner of services.	October 2015
To assess and address the risks associated with partnership work, particularly where the Council is the lead accountable body.	October 2015
To work with district council partners to further reduce the risk of fraud in areas where there is joint benefit (e.g. Council Tax benefit).	October 2016

11. Further Information

Further information on relevant Council policy and practice can be found in the following internal documents:

- The Constitution (includes Financial Procedure Rules, Contract Procedure Rules, Members' Code of Conduct and Officers' Code of Conduct);
- Whistleblowing Policy;
- Gifts & Hospitality Policy;
- Anti-Bribery Policy;
- Anti-Money Laundering Policy;
- Information Security Policy;
- LCC's Fraud Response Plan / Flowchart ([Appendix 1](#));
- Risk Management web pages;
- Internal Audit web pages.

The County Council seeks to fulfil its responsibility to reduce fraud and protect our resources by a strategic approach consistent with that outlined in both:

- [CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption \(2014\)](#); and
- [Local Government Fraud Strategy – Fighting Fraud Locally](#)

12. Strategy Review

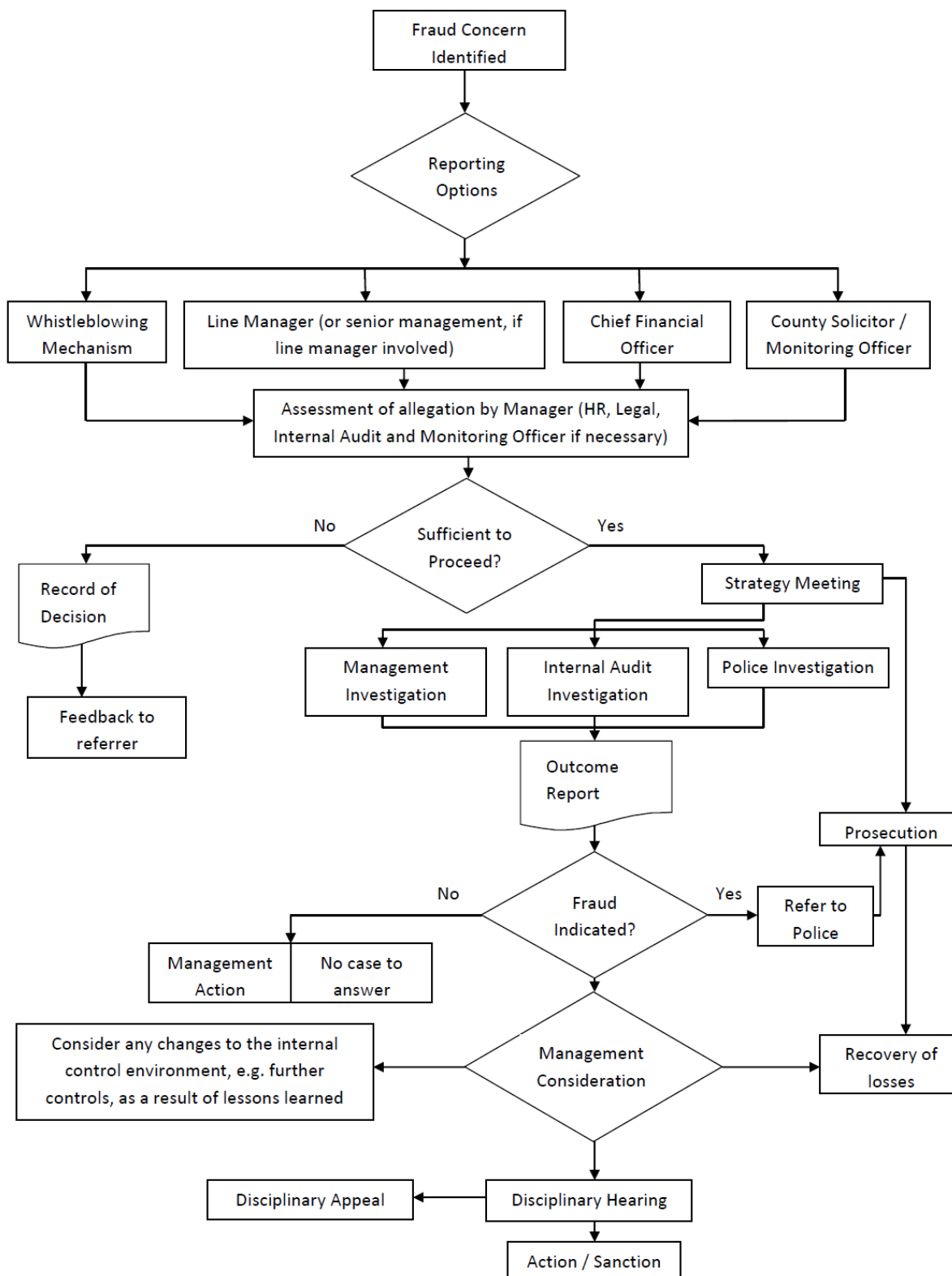
The Chief Financial Officer (s.151 Officer) and the Council's Corporate Governance Committee will ensure the continuous review and amendment of this Strategy, and the Action Plan contained within it, to ensure that it remains compliant with good practice national public sector standards, primarily CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and the Local Government Fraud Strategy – Fighting Fraud Locally, and meets the needs of Leicestershire County Council.

Responsible Officer: Head of Internal Audit Service

Review date: Biennially from February 2015

APPENDIX 1

LCC's Typical Fraud Response Plan



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